

Message Text

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ACTION AGRE-00

INFO OCT-01 ARA-10 ISO-00 EB-08 COME-00 TRSE-00 XMB-02
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E.O. 11652: N/A
TAGS: EAOR, ETRD, BR
SUBJ: CROP DAMAGE FROM DROUGHT IN SOUTHERN BRAZIL

REF: TOFAS 63 SAO PAULO 0612

SUMMARY: TALKED TO MANAGING DIRECTORS AND/OR EXPORT MANAGERS
OF FIVE AMERICAN AND ONE OTHER MULTINATIONAL COMMODITY FIRM.
CONSENSUS OF DAMAGE BY CROP REPORTED BELOW, BUT THERE IS GENERAL
AGREEMENT THAT THE DROUGHT IS SERIOUS AND THAT PRESENT LOSSES MAY
INCREASE. THE PROSPECT IS ON THE DOWNSIDE WITH NO MAJOR RECUPERATION
LIKELY. INFORMATION ON COTTON IS FRAGMENTARY. COFFEE DATA IS
SKETCHY AND CONSENSUS IS THAT IT IS EARLY AND VERY DIFFICULT TO
ESTABLISH ACCURATE PICTURE. SOME DAMAGE HAS TAKEN PLACE,
PARTICULARLY TO YOUNG TREES, AND THIS IS CONSIDERED MORE SERIOUS
LONG TERM THAN REDUCTION IN CURRENT CROP. NEVERTHELESS, TRADE
USING PHRASES SUCH AS 'DROUGHT IS DEFINITELY SERIOUS' AND 'THE
SITUATION IS EXTREMELY DELICATE' TO DESCRIBE OVERALL PICTURE.
CONSENSUS IS THAT LOSS IN SOYBEAN AND SOYBEAN PRODUCT EXPORTS
IS ABOUT \$500 MILLION AND MAY GO HIGHER. NO CORN EXPORTS EXPECTED
IN 1978 AND NO IMPORTS ANTICIPATED, UNLESS LATE IN CALENDAR YEAR
1978. WHEAT IMPORTS EXPECTED TO BE ABOUT \$500 MILLION. WILL
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REPEAT SURVEY IN TWO WEEKS. END SUMMARY.

1. SOYBEANS: CONSENSUS ESTIMATE OF CROP AT PRESENT IS 11 MILLION
MT WITH COMPANIES PROGRESSIVELY REVISING THEIR ESTIMATES DOWNWARD
AS NEW SURVEYS MADE AND NEW INFORMATION COMES IN. THE PARANA CROP
IS BADLY HURT AND THE CURRENT HEAVY RAINS IN NORTHERN PARANA WILL
ONLY FURTHER DAMAGE THE DRY CROP READY FOR HARVEST. RAINS NOW

WILL NOT BENEFIT WESTERN PARANA NORTH OF CASCAVEL. RAINS ARE SCATTERED IN SOUTHERN PARANA AND RIO GRANDE DO SUL AND THERE MAY BE SOME IMPROVEMENT IN CROP IN GUARAPUAVA/PATO BRANCO AREA. RIO GRANDE COULD SHOW IMPROVEMENT. EXPORT LOSS IS NOW ESTIMATED AT \$500 MILLION. FEDERAL GOVERNMENT IS CONCERNED AND MARCH 3 SUSPENDED ALL EXPORT REGISTRATIONS OF SOYBEAN OIL. THIS WILL BE REVIEWED AT MEETING OF SOYBEAN COMMITTEE NEXT WEEK, BUT MAJOR PROCESSORS EXPECT IT TO REMAIN IN FORCE. THEY EXPECT RUSH TO EXPORT BEANS WHICH IN RELATIVELY NEAR TERM (UP TO TWO MONTHS) WILL LEAD GOVERNMENT TO HALT BEAN EXPORTS TO PROTECT DOMESTIC SOYBEAN OIL SUPPLY. GOVERNMENT HAS JUST TURNED DOWN DOMESTIC PRICE RISE FOR SOYBEAN OIL AND THERE IS NO INCENTIVE TO CRUSHERS TO SELL IN DOMESTIC MARKET. ONE INFORMED SOURCE SAYS GOVERNMENT "ENORMOUSLY CONCERNED ABOUT OIL SHORTAGE". CONSENSUS IS THAT SOME PARAGUAYAN BEANS WILL BE IMPORTED FOR PROCESSING RESULTING IN MEAL EXPORTS, BUT THAT ARGENTINE AND OTHER SOURCE BEANS WILL NOT BE IMPORTED. SOME TRADE SOURCES WERE EVEN BEGINNING TO MENTION 10.5 MILLION TONS AS FINAL CROP.

2. CORN: CROP ESTIMATES VARIED FROM HIGH OF 16 MILLION MT TO 13 TO 14 MILLION, WITH MOST GOING A RANGE OF BETWEEN 15 AND 16 MILLION. CONSENSUS WAS THAT LOSS OVER 1 MILLION MT, WHATEVER ESTIMATOR USED FOR LAST YEAR'S CROP. ADMITTEDLY CROP NOT VERY FAR ALONG. CONSENSUS WAS THAT THERE WOULD BE NO EXPORTS THIS YEAR AND THAT IMPORTS WERE UNLIKELY, ALTHOUGH SOME MIGHT OCCUR LATE IN CALENDAR YEAR IF CROP CONTINUED TO DETERIORATE. LIMITED OFFICIAL USE

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HIGHER DOMESTIC PRICES WOULD LURE CORN NORMALLY CONSUMED ON FARM INTO COMMERCIAL CHANNELS, THUS MINIMIZING IMPORTS. CARGILL AND CONTINENTAL WERE THE MOST PESSIMISTIC.

3. COTTON SOUTH BRAZIL: CROP REPORTED AT 300,000 TO 310,000 MT WITH ONE FIGURE AS HIGH AS 325,000. ONE ESTIMATE BY ANOTHER SOURCE WHO DID NOT WANT TO QUANTIFY LOSS WAS THAT IT WAS BETWEEN 15 AND 20 PERCENT OF CROP. THERE WAS NO DISAGREEMENT, HOWEVER, THAT THE CROP HAD BEEN HURT. AGAIN IT WAS CONSIDERED TOO EARLY FOR FINAL JUDGEMENTS, BUT FURTHER LOSSES WERE POSSIBLE. QUALITY WAS REPORTED DOWN IN SOME AREAS, AND RAIN NOW WAS CONSIDERED ADVERSE.

4. RICE: FIRMS CONSULTED DID NOT DEAL IN RICE BUT THEY REPORTED CONSIDERABLE DAMAGE TO RICE CROP, PARTICULARLY DRY RICE, BASED ON THEIR CONVERSATIONS WITH OTHER TRADERS WHO DEAL IN RICE. TENOR OF REMARKS WAS THAT RICE EXPORTS LIKELY TO BE MARGINAL AT BEST.

5. WHEAT: IMPORTS OF \$500 MILLION PLUS OR MINUS \$50 MILLION WAS THE CONSENSUS.

6. FOLHA DE SAO PAULO MARCH 4 CARRIES REPORT FROM SURVEY CONDUCTED

BY NUCLEO REGIONAL DE LONDRINA ACARPA WHICH IS PART OF PARANA SECRETARIAT OF AGRICULTURE GIVING STATE WIDE COFFEE CROP AT 3,997,000 BAGS, DOWN FROM ANTICIPATED 5 MILLION, LARGELY BECAUSE OF BICHO MINEIRO, ALTHOUGH DROUGHT HAD A MINOR ROLE. SECRETARY OF AGRICULTURE PAULO CARNEIRO IN SEPARATE ANNOUNCEMENT IN BRASILIA CONFIRMED 4 MILLION BAG ESTIMATE. OTHER PARANA STATE CROP LOSS ESTIMATES BY DEPARTMENT DE ECONOMIA RURAL OF STATE SECRETARIAT OF AGRICULTURE ARE: COTTON 51 PERCENT; RICE 74 PERCENT; CORN 36 PERCENT; SOYBEANS 33 PERCENT. LATEST ACTUAL ESTIMATES FOR PARANA STATE IN MT ARE: COTTON 200,000; RICE 225,840; CORN 2,467,900; SOYBEAN 3,368,530. DATA WAS COLLECTED UP TO MARCH 1.

7. FAS OFFICER HAS SEEN AND CONCURS, EXCEPT BELIEVE IT STILL TO EARLY TO SAY SOYBEAN CROP BELOW 11 MILLION MT.
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CHAPIN

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Message Attributes

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